

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1997

(Dollars in Thousands)

2. Accounting Policies: (continued)

Property and Equipment:

Property and equipment, along with expenditures that extend the useful lives of assets, are recorded at cost. Certain internal computer software development costs are capitalized and included in property and equipment. Interest expense associated with the construction of major capital additions is capitalized and included in property and equipment. Maintenance and repairs are charged to expense as incurred. At the time assets are retired or otherwise disposed of, the cost thereof and the related accumulated depreciation or amortization are eliminated and any resulting gain or loss on disposition is recorded as other revenue.

Depreciation is provided over the estimated useful lives of the assets computed under the straight-line method, with one-half year of depreciation recognized in the year when the related assets are placed into service.

Other Assets:

Other assets consist primarily of bond financing costs, equity investments and investments in other joint ventures, organizational costs, program development costs, goodwill, covenants not-to-compete, and cash surrender values on life insurance policies. Bond financing costs are being amortized over the respective terms of the related bond issues on a basis that approximates the interest method. AHERF has a 33% ownership interest in Gateway Health Plan, L.P. (Gateway). AHERF's share of income from its Gateway investment for fiscal year 1997 was \$2,240. Deferred organizational costs are being amortized over five years, program development costs over three years, goodwill over ten to thirty-five years, and covenants not-to-compete over five to fifteen years. The cost and related accumulated amortization of such costs was \$228,534 and \$10,020 at June 30, 1997, respectively.

AHERF evaluates the recoverability of its intangible assets at each balance sheet date in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of. SFAS No. 121 establishes criteria for recognizing, measuring, and disclosing impairments of long-lived assets.

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1997
(Dollars in Thousands)

2. Accounting Policies: (continued)

Restricted Net Assets:

Temporarily restricted net assets are those whose use has been limited by donors for a specific purpose or time period. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Temporarily restricted assets released from restriction during the reporting period are reflected in the consolidated statement of operations.

Net Patient Service Revenue:

AHERF has agreements with third-party payors that provide for payments to AHERF facilities at amounts different from their established rates. Payment arrangements include prospectively determined rates based upon discharges, discounted charges, per diem payments and capitation arrangements. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated net retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care, Uncompensated Care and Other Community Services:

AHERF's facilities maintain charity care policies which were established to assure that all persons seeking treatment receive needed health care services regardless of their ability to pay. These policies provide that persons who lack the means to pay for all or a portion of their needed health care services receive financial assistance in the form of partial or total charge reductions. Because the hospitals do not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges foregone for services and supplies furnished under AHERF's charity care policy approximated \$16,324 in fiscal year 1997.

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2. Accounting Policies: (continued)Charity Care, Uncompensated Care and Other Community Services: (continued)

Additionally, AHERF's facilities provide services to patients covered by Medical Assistance and Medicare, whereby the payments received are less than the costs of providing such services. Also, AHERF's facilities perform services at no charge which benefit the community, such as public health screenings, health care publications, workplace wellness programs, health related research, educational programs and other activities.

Premium Revenue:

AHERF has agreements with various third-party payors to provide medical services to subscribing participants. Under these agreements, AHERF receives monthly capitation payments based on the number of participants, regardless if services are performed by AHERF. In addition, certain third-party payors make fee-for-service payments to AHERF for certain covered services based upon discounted fee schedules. Accruals are recorded on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined for retroactive adjustments for premiums and statistics, and for claims incurred by not yet reported. Additionally, AHERF mitigates a portion of its financial risks by purchasing stop-loss insurance.

AHERF has assumed the risk of managing care for approximately 500,000 covered lives.

Income Taxes:

AHERF, the parent company, is a not-for-profit corporation that has been recognized as tax exempt pursuant to Section 501 (c)(3) of the Internal Revenue Code.

3. Assets Limited or Restricted as to Use:

Assets limited or restricted as to use consist of the following components as of June 30, 1997:

Unrestricted:

By Boards of Trustees:

Future additions or replacement of property and equipment	5,215,711
Self-insurance reserve funds	70,117

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1997

(Dollars in Thousands)

3. Assets Limited or Restricted as to Use: (continued)

Endowments	101,877
Other	<u>23,631</u>
	411,336
Debt service funds	64,541
Endowments	<u>99,639</u>
Total unrestricted	575,516
Temporarily restricted:	
By donor	21,952
Student loans	22,186
Endowments	<u>78,692</u>
Total temporarily restricted	122,830
Permanently restricted:	
Endowments	90,357
Perpetual trusts	<u>66,040</u>
Total permanently restricted	<u>156,397</u>
Total assets limited or restricted as to use	854,743
Less current portion	<u>73,922</u>
Assets limited or restricted as to use, net of current portion	<u>\$ 780,821</u>

The following table sets forth the composition of assets limited or restricted as to use by investment type as of June 30, 1997:

Unrestricted:	
Cash and short-term investments	\$ 83,762
Government and corporate obligations	239,259
Marketable equity securities	<u>252,495</u>
Total unrestricted	575,516
Temporarily restricted:	
Cash and short-term investments	27,264
Government and corporate obligations	42,361
Marketable equity securities	<u>53,205</u>
Total temporarily restricted	122,830

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Dollars in Thousands)

3. Assets Limited or Restricted as to Use: (continued)

Permanently restricted:

Cash and short-term investments	1,618
Government and corporate obligations	46,172
Marketable equity securities	<u>108,607</u>
Total permanently restricted	<u>156,397</u>
Assets limited or restricted as to use	<u>\$ 854,743</u>

The various Boards of Trustees retain control over certain designated assets and may, at their discretion, subsequently use such assets for other purposes. Assets limited or restricted as to use, including \$8,670 of temporarily restricted funds that are required to satisfy obligations classified as current liabilities, are reported as current assets on the consolidated balance sheet as of June 30, 1997.

Investment returns for the year ended June 30, 1997 consisted of the following:

Net realized gains on investments	\$ 63,459
Dividends and interest	<u>22,494</u>
	<u>\$ 85,953</u>

4. Property and Equipment:

Property and equipment consists of the following components as of June 30, 1997:

Buildings and building improvements	\$ 831,136
Equipment	744,514
Land and land improvements	<u>49,320</u>
	<u>1,624,970</u>
Less accumulated depreciation and amortization	<u>761,415</u>
	<u>863,555</u>
Construction in progress	<u>57,315</u>
Property and equipment, net	<u>\$ 920,870</u>

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5. Line of Credit:

AHERF maintains a \$100,000 working capital line of credit from a consortium of banks with various interest rate options (5.99% at June 30, 1997) with a maturity date of March 7, 2000 and with a commitment fee of 0.2% on the total commitment amount of the line. The amount outstanding under the line was \$57,100 as of June 30, 1997, which borrowings were used to repay the then existing lines of credit balances at which time such lines of credit arrangements were terminated. The most restrictive covenant requires certain AHERF obligated groups to maintain minimum liquidity ratios.

6. Long-Term Debt:

Long-term debt consists of the following obligations as of June 30, 1997:

Pennsylvania Higher Educational Facilities Authority (PHEFA)
Revenue Bonds:

DVOG Series 1996 A-C Health Services Revenue Bonds, net of unamortized discount of \$3,462 (with maturity dates through November 15, 2021 and fixed rates ranging from 4.0% to 5.88%)	\$ 302,688
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DVOG Series 1996 D Health Services Revenue Bonds (with maturity dates through November 15, 2035 and variable interest rates ranging from 2.4% to 4.6% during fiscal year 1997 and at 4.1% on June 30, 1997)	50,000
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AGHOG Series 1991 A Revenue Bonds, net of unamortized discount of \$628 in 1997 (with maturity dates through September 1, 2017 and fixed interest rates ranging from 6.3% to 7.25%)	54,157
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Allegheny County Hospital Development Authority (ACHDA):

AGHOG Series 1995 A and B Hospital Revenue Bonds:

A - net of unamortized discount of \$421 (with maturity dates through September 1, 2020 and fixed interest rates ranging from 4.75% to 6.25%)	48,624
B - (with maturity dates through September 1, 2020 and variable interest rates ranging from 2.25% to 4.5% during fiscal year 1997 and at 4.15% on June 30, 1997)	49,000

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6. Long-Term Debt: (continued)

AGHOG Series 1993 A-C Notes:

A - (with maturity dates through July 1, 2012 and variable interest rates ranging from 5.63% to 5.95% during fiscal year 1997 and at 5.94% on June 30, 1997)	26,500
B - (with maturity dates through January 1, 2012 and a fixed interest rate of 7.85%)	13,370
C - (with maturity dates through January 1, 2004 and a fixed interest rate of 7.33%)	11,570

AGHOG Series 1988 A-D Hospital Revenue Bonds (with maturity dates through March 1, 2017 and variable interest rates ranging from 2.35% to 4.5% during fiscal year 1997 and at 4.2% on June 30, 1997)

46,800

AVH Hospital Revenue Bonds:

Series 1990, net of unamortized discount of \$227 (with maturity dates through August 1, 2020 and fixed interest rates ranging from 7.4% to 7.75%)

12,473

Series 1986 Refunding, net of unamortized discount of \$100 (with maturity dates through August 1, 2013 and fixed interest rates ranging from 7.0% to 7.5%)

24,750

Series 1982 Q, net of unamortized discount of \$282 (with maturity dates through August 1, 2015 and a fixed interest rate of 7.0%)

5,803

The Hospitals and Higher Education Facilities Authority of Philadelphia Revenue Bonds:

Graduate Hospital Series 1993 A and B Hospital Revenue Bonds, net of unamortized discount of \$707 (with maturity dates through July 1, 2018 and fixed interest rates ranging from 5% to 6.25%)

53,833

Graduate Hospital Series 1991 A and B Hospital Revenue Bonds, net of unamortized discount of \$3,337 (with maturity dates through July 1, 2021 and fixed interest rates ranging from 6.5% to 7.25%)

106,723

Monroeville Hospital Authority:

FHS Series 1995 Hospital Revenue Bonds, net of unamortized discount of \$966 (with maturity dates through October 1, 2015 and fixed interest rates ranging from 4.5% to 6.25%)

36,104

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1997

(Dollars in Thousands)

6. Long-Term Debt: (continued)

FHS Series 1992 Hospital Revenue Bonds, net of unamortized discount of \$908 (with maturity dates through October 1, 2013 and fixed interest rates ranging from 6.5% to 7.35%)	42,257
Rancocas Hospital New Jersey Health Care Facilities Financing Authority 1987 Series C Revenue Bonds (with maturity dates through July 1, 2012 and fixed interest rates ranging from 7.6% to 8.5%)	41,040
DVOG Series 1996 E Taxable Notes Payable (with maturity dates through November 15, 2015 and variable interest rates ranging from 5.36% to 5.68% during fiscal year 1997 and at 5.68% on June 30, 1997)	50,978
City Avenue Hospital and Parkview Hospital note payable to the Philadelphia College of Osteopathic Medicine (with maturity dates through July 13, 2023 and an imputed interest rate of 6.00%)	5,920
Other obligations	<u>12,387</u>
Less current portion of long-term debt	<u>994,977</u>
Long-term debt	<u><u>34,704</u></u>
	<u><u>\$ 960,273</u></u>

All obligations are subject to early redemption at the option of AHERF. AHERF is subject to various debt covenants contained in the agreements which govern the preceding obligations. The most restrictive covenants require certain AHERF obligated groups to maintain minimum annual debt service coverage ratios, liquidity ratios, capitalization ratios, and levels of net assets (refer to Note 17).

Additionally, certain of these bonds are collateralized by the pledge of certain of the respective obligated group's gross revenue, real property, personal property and unrestricted receivables.

AHERF maintains two letter of credit facilities for the DVOG variable rate debt. The letter of credit amounts for the DVOG Series 1996 D Health Services Revenue Bonds and the DVOG Series 1996 E Taxable Notes Payable are \$50,805 and \$54,194, respectively. The master trustee has the ability to draw on such letter of credit facilities in order to make principal and accrued interest payments should the bonds not be remarketed. Both letter of credit facilities have an expiration date of June 10, 1999. The letter of credit facilities require the DVOG to maintain compliance with certain liquidity and debt service coverage ratios.

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

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6. Long-Term Debt: (continued)

Following are scheduled principal repayments and sinking fund requirements on the long-term debt for each of the next five fiscal years:

1998	-	\$ 34,704
1999	-	29,059
2000	-	29,937
2001	-	31,349
2002	-	32,189

FHS has entered into interest rate swap agreements having an aggregate notional principal amount of \$20,000 whereby FHS pays a variable rate and receives a fixed rate of approximately 4.8%. Interest payments (both made and received) pursuant to these swap agreements are based on the notional amounts of the agreements in effect as no funds were actually borrowed. During fiscal year 1997, FHS recognized investment income of approximately \$109 on these swap agreements. The swap agreements subject FHS to market risk associated with changes in interest rates and have an aggregate market value of \$74 as of June 30, 1997.

7. Commitments:

In October 1991, AHERF entered into an agreement to manage the Sidney Hillman Medical Center (SHMC) for a 20 year period. SHMC provides primary and speciality care physician services primarily to members of a garment workers union. Under the terms of the agreement, AHERF subsidizes certain operating losses of SHMC. During fiscal year 1997, such subsidies amounted to \$1,127.

Effective July 1, 1989, AHERF entered into an operating lease agreement with the Commonwealth of Pennsylvania whereby all land and buildings associated with the Eastern Pennsylvania Psychiatric Institute are leased for a term of 25 years at annual rental payments of one dollar. The agreement also specifies provisions for a renewal option for additional terms.

AHERF leases certain medical and office equipment and office space used in its operations. Rental expense for operating leases during the year ended June 30, 1997 was \$62,528. The annual and total future minimum lease payments under noncancelable operating leases entered into as of June 30, 1997 are as follows:

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1997
(Dollars in Thousands)7. Commitments, continued:

Year	
1998	\$ 55,041
1999	52,204
2000	46,914
2001	37,961
2002	30,419
2003 and thereafter	<u>209,137</u>
Total minimum payments	<u>\$ 431,676</u>

8. Net Patient Service Revenue:

Net patient service revenue for the year ended June 30, 1997 consists of the following components:

Gross patient service revenue	\$ 4,002,633
Less provisions for contractual adjustments	<u>2,299,962</u>
Net patient service revenue	<u>\$ 1,702,671</u>

Contractual adjustments represent the difference between standard billing rates and amounts estimated to be paid under various payor agreements. Provisions for contractual adjustments are recorded in the period in which the services are provided.

During fiscal year 1997, AHERF's bad debt expense amounted to \$66,416, which is included in materials, supplies and services expense on the consolidated statement of operations.

9. Insurance:

AHERF is self-insured for primary coverage and for certain levels of excess coverage related to professional and general liability claims through AHSPIC, Hahnemann Insurance Company (HAHN - an AUHS affiliated captive insurance company incorporated in Vermont), FHS Insurance LTD. (an FHS affiliated captive insurance company incorporated in the Cayman Islands), and various self-insurance trusts. In addition, AHERF participates in the Medical Professional Liability Catastrophic Loss Fund of the Commonwealth of Pennsylvania (CAT Fund) and maintains insurance under commercially insured programs on a claims-made basis for amounts in excess of the self-insurance and CAT Fund coverages. Premiums for the self-insurance coverage are retrospectively rated and are paid to AHSPIC, HAHN, and FHS Insurance LTD. based on funding requirements determined by independent insurance actuaries to include provisions for estimates of the

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1997

(Dollars in Thousands)

9. Insurance, continued:

ultimate costs for both reported claims and claims incurred but not reported, determined on a discounted basis using a 7.50% rate. During fiscal year 1997, AHERF's total professional and general liability insurance expense was \$29,866.

AHERF is also self-insured for workers' compensation liability claims and has established trust funds for the payment of such claims. Funding requirements and estimates of losses incurred are determined on a discounted basis using actuarial assumptions which include a 6.00% discount rate and which are subject to revision based upon actual experience. During fiscal year 1997, total workers' compensation expense was \$13,659.

10. Pension Plans:

AHERF maintains various pension plans covering substantially all of its employees. Union employees are covered by multi-employer pension plans to which AHERF contributes based on individual plan policies and actuarial valuations. Expenses in fiscal year 1997 pertaining to the multi-employer pension plans amounted to \$3,697. Noncontributory, defined benefit pension plans cover substantially all other full-time employees (the Plans). Pension benefits generally depend upon age, length of service and remuneration. AHERF's funding policy is to contribute such amounts as are necessary on an actuarial basis to provide the Plans with assets sufficient to meet benefits to be paid to retirees or their beneficiaries and to satisfy the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

Net pension cost related to the defined benefit plans for the year ended June 30, 1997 includes the following components:

Service cost-benefits earned during the period	\$ 23,784
Interest cost on projected benefit obligation	19,976
Actuaral return on assets	(25,233)
Net amortization and deferral	1,800
<u>Net pension cost</u>	<u>\$ 20,327</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1997

(Dollars in Thousands)

10. Pension Plans, continued:

The following table sets forth the consolidated funded status of the defined benefit plans as of June 30, 1997:

	<u>Overfunded Plans</u>	<u>Underfunded Plans</u>
Actuarial present value of benefit obligation:		
Vested benefit obligation	\$ (80,844)	\$ (173,202)
Non-vested benefit obligation	<u>(1,282)</u>	<u>(9,723)</u>
Accumulated benefit obligation	(82,126)	(182,925)
Effect of projected future compensation levels	<u>(11,350)</u>	<u>(239)</u>
Projected benefit obligation	(93,476)	(183,164)
Plan assets at fair value (primarily listed equity securities, convertible securities and bonds)	<u>103,543</u>	<u>150,603</u>
Funded status - projected benefit obligation in (excess of)/less than plan assets	10,067	(32,561)
Unrecognized prior service credit due to plan amendments	(978)	(6,884)
Unrecognized net gain from past experience different from that assumed	(274)	(8,836)
Unrecognized net asset arising at transition	(15,311)	(227)
Funding contributions	<u>—</u>	<u>2,480</u>
Accrued pension liability	<u>\$ (6,496)</u>	<u>\$ (45,574)</u>

Significant assumptions used to determine the projected benefit obligation and assets of the plans include:

Discount rate	7.50% - 8.25%
Rate of increase in compensation levels	3.50% - 5.00%
Expected long-term rate of return on assets	6.00% - 9.50%

AHERF sponsors a contributory, defined contribution savings plan, which is available to substantially all AHERF employees in order to provide additional security during retirement by creating an incentive for employees to make regular contributions on their own behalf. Under this plan and as determined on an individual employee basis, AHERF contributes an amount equal to 25% of an employee's contribution up to 4% of such employee's salary in a given year. AHERF's expense associated with contributions to this savings plan was \$4,728 for the year ended June 30, 1997.

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1997
(Dollars in Thousands)**11. Functional Expenses:**

AHERF provides general health care services through its hospitals, and education services through its university, and performs medical research through its research institute. Expenses related to these services for the year ended June 30, 1997 are as follows:

Health care services	\$ 1,634,904
Education services	83,693
Medical research	66,368
General and administrative	<u>248,076</u>
	<u>\$ 2,033,041</u>

12. Concentrations of Credit Risk:

AHERF grants credit without collateral to its patients, most of whom are local residents insured under third-party payor agreements. The following percentages represent the mix of receivables from patients and third-party payors as of June 30, 1997 and do not represent the volume of services by such payors:

Medicare	22%
Medicaid	16
Blue Cross	10
Managed care	25
Other third-party payors	17
Patients	<u>10</u>
	<u>100%</u>

13. Fair Value of Financial Instruments:

The following methods and assumptions were used in estimating the fair value of AHERF's financial instruments:

Cash and cash equivalents: The carrying value reported in the consolidated balance sheet for cash and cash equivalents approximates their fair value.

Short-term investments: The carrying value reported in the consolidated balance sheet for short-term investments approximates their fair value.

Assets limited or restricted as to use: These assets consist primarily of government and corporate obligations, marketable domestic and international equity securities, cash and short-term investments. For government and corporate obligations and marketable equity securities, fair values were determined based on quoted market prices and dealer quotes where available, or quoted market prices pertaining to similar securities where not available. The carrying value reported in the consolidated balance sheet for all assets limited or restricted as to use approximates their fair value.

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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13. Fair Value of Financial Instruments, continued:

Student loans receivable: Determination of the fair value of student loans receivable, which are primarily federally sponsored student loans with U.S. Government mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, could not be made without incurring excessive costs.

Long-term debt: The fair value of all obligations included in long-term debt is based on current traded values. The carrying and fair values of AHERF's long-term debt obligations (excluding capital leases) are \$984,011 and \$1,013,376, respectively, as of June 30, 1997.

14. Legal Matters:

AHERF is subject to legal proceedings and claims which have arisen in the ordinary course of its business and have not yet been adjudicated. The ultimate liability from these actions cannot be determined because of the uncertainties that exist. In the opinion of management, the eventual disposition of these matters will not have a material adverse effect on the consolidated financial position of AHERF. However, it is possible that, upon settlement, results of operations or cash flows in a particular period could be materially affected.

AHERF is subject to compliance with laws and regulations of various governmental agencies. Recently, governmental review of compliance with these laws and regulations has increased as well as compliance review by other third-party payors, resulting in fines and penalties for noncompliance by individual health care providers.

15. Business Combinations:

As discussed in Note 1, FHS, AVH and certain hospitals of the Graduate Health System became part of AHERF via statutory mergers. These mergers have been accounted for under the purchase method with the purchase price being the amount of the respective hospital's outstanding liabilities assumed by AHERF at the date of acquisition. The purchase price of the acquisitions has been allocated based on the fair value of the assets acquired and liabilities assumed. The operations of the acquired hospitals have been included in the accompanying consolidated financial statements from their respective dates of acquisition.

The following unaudited pro forma financial information presents the results of operations of the acquired hospitals as if the acquisitions had occurred at the beginning of fiscal year 1997 and the balance sheet information of the acquired hospitals at the respective acquisition dates. The following unaudited pro forma financial results are not necessarily indicative of the actual results that would have occurred nor is it indicative of future results of operations of the acquired hospitals.

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

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June 30, 1997
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15. Business Combinations: (continued)

(Unaudited Pro Forma Information)

	<u>Forbes</u> <u>Health</u> <u>System</u>	<u>Allegheny Valley</u> <u>Health</u> <u>System</u>	<u>Former Graduate</u> <u>Health System</u> <u>Entities</u>
<u>Pro Forma Statement of Operations for the year ended June 30, 1997</u>			
Total revenue	\$160,673	\$81,167	\$403,654
Operating expenses	142,733	71,199	405,051
Restructuring expenses			49,062
Income/(loss) from operations	<u>\$17,940</u>	<u>\$9,968</u>	<u>(\$50,459)</u>

	<u>Balance Sheet Information at Date of Acquisition</u>		
Current assets	\$18,230	\$9,299	\$94,925
Assets limited or restricted as to use, net of current portion	133,167	49,514	75,737
Property and equipment, net		302	167,489
Other assets	<u>9,004</u>	<u>102</u>	<u>120,572</u>
Total assets	<u>\$160,401</u>	<u>\$59,217</u>	<u>\$458,723</u>
Current liabilities	\$27,484	\$10,335	\$149,840
Long-term debt	75,900	43,586	211,558
Other noncurrent liabilities	<u>39,478</u>	<u>5,296</u>	<u>72,195</u>
Total liabilities	<u>142,862</u>	<u>59,217</u>	<u>433,593</u>
Net assets:			
Unrestricted	-	-	-
Temporarily restricted	-	-	18,015
Permanently restricted	<u>17,539</u>	-	<u>7,115</u>
Total net assets	<u>17,539</u>	-	<u>25,130</u>
Total liabilities and net assets	<u>\$160,401</u>	<u>\$59,217</u>	<u>\$458,723</u>

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16. Subsequent Events:

In July 1997, Canonsburg General Hospital (CGH) became part of AUMC via a statutory merger. CGH joins FHS and AVH as members of AUMC. CGH is a 120 bed facility with 92 acute-care beds and 28 skilled nursing/sub-acute beds.

In September, 1997 AHERF entered into a \$30,000 operating lease program, which will be used to finance certain equipment needs of AHERF.

17. Debt Covenants:

The Allegheny Hospitals, Centennial Obligated Group (Obligated Group) was not in compliance with its debt service coverage ratio covenant for the twelve-month period ended June 30, 1997. As a result of such noncompliance, under the master trust indenture, the Obligated Group was required to retain a consultant to make recommendations with respect to the Obligated Group's methods of operations and the factors affecting its financial condition. AHERF was chosen as such consultant and has promulgated its recommendations to the Obligated Group. Accordingly, the Graduate Hospital Series 1993 A and B and 1991 A and B Hospital Revenue Bonds have been classified as noncurrent liabilities in the accompanying consolidated balance sheet.

For the two quarterly periods ended September 30, 1997 and December 31, 1997, AHERF did not comply with a liquidity ratio under certain of its line of credit debt with respect to the DVOG. For the quarterly period ended December 31, 1997, the DVOG did not comply with certain liquidity ratios under certain letter of credit agreements associated with certain long-term debt. The potential also exists that the DVOG may not meet its debt service coverage ratio related to certain long-term debt for the fiscal year ending June 30, 1998. Management of AHERF and the DVOG have and will be taking steps to cure the present and any anticipated noncompliance issues in an effort to satisfy the conditions set forth in such agreements and to prevent these existing and potential noncompliance events from becoming events of default.

Coopers
& Lybrand

Coopers & Lybrand LLP.

a professional services firm

Report of Independent Accountants on Consolidating and
Combining Financial Information

Our report on the audit of the consolidated financial statements of Allegheny Health, Education and Research Foundation as of June 30, 1997, and for the year then ended appears on page 1. This audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary consolidating and combining financial information accompanying the consolidated financial statements is not necessary for fair presentation of the consolidated financial position, results of operations, changes in net assets and cash flows of Allegheny Health, Education and Research Foundation in conformity with generally accepted accounting principles. The supplementary consolidating and combining financial information is presented only for purposes of additional analysis and is not a required part of the consolidated and combining financial statements. The supplementary consolidating financial information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Coopers & Lybrand LLP

Pittsburgh, Pennsylvania

September 4, 1997, except for the second paragraph of Note 16 which is dated September 12, 1997, and Note 17 which is dated January 8, 1998

ALLENTOWN HEALTH, EDUCATION AND RESEARCH FOUNDATION
CONSOLIDATING BALANCE SHEET
(As of June 30, 1997)
(Dollars in thousands)

ASSETS

	Allegheny General Hospital	Allegheny University Medical Center	Dowell Valley Obligated Group	A. Allegheny Hospital, New Jersey	Allegheny Health Network Group	Allegheny Singer Research Institute	AHEF Operations	Elim.	Consolidated AHEF
Current assets									
Cash and cash equivalents									
Short-term investments	\$ 2,901	\$ 8,219	\$ 20,446	\$ 948	\$ 1,738	\$ 838	\$ (16,691)	\$	\$ 20,316
Assets limited or restricted as to use	4,643	2,960	16,167	11,693	1,790	591	-	22,167	3,504
Receivables									71,912
Patient accounts, net	54,159	17,094	201,914	49,822	9,021	21,999	-	1,372	361,961
Grants and other	7,393	1,379	40,312	10,849	244	1,113	1,106	2,011	91,119
Investments	10,377	2,710	12,733	7,118	206	-	-	192	21,666
Prepaid expenses	1,249	1,689	4,168	1,664	240	-	-	10,024	13,649
Total current assets	98,443	44,091	106,144	82,496	14,310	28,977	1,106	49,916	212,943
Assets limited or restricted as to use, net									606,036
Accounts receivable	172,194	109,344	304,122	30,240	11,764	-	263,611	(11,614)	780,821
Property and equipment, net	211,188	42,214	476,911	144,123	22,514	-	41,645	(41,644)	920,870
Due from entities	29,510	-	-	-	-	-	64	297,687	(122,687)
Other assets	65,953	-	2,494	41,518	103,824	20,021	1,144	(31,703)	111,931
Total assets	\$ 391,249	\$ 242,322	\$ 1,021,292	\$ 290,631	\$ 49,661	\$ 103,311	\$ 1,222	\$ 243,822	\$ 1,212,422
LIABILITIES AND NET ASSETS									
Current liabilities									
Accounts payable and accrued expenses	\$ 36,937	\$ 26,419	\$ 129,662	\$ 68,077	\$ 11,615	\$ 24,974	\$ 684	\$ 171,232	\$ 493,521
Deferred revenue	-	-	17,123	1,142	-	-	1,399	-	16,773
Line of credit	-	-	57,100	-	-	-	-	-	57,100
Current portion of long-term debt	7,462	1,462	12,101	3,912	3,912	-	-	23	21,704
Total current liabilities	65,404	27,881	217,079	77,131	14,537	24,999	3,033	171,235	499,699
Long-term debt, net of current portion	242,454	110,130	396,478	166,073	38,271	98	907	-	956,223
Self-insurance liability	1,201	1,210	-	-	-	-	81,210	-	91,641
Due to affiliates	16,632	40,992	100,249	13,416	11,140	-	231,163	(41,159)	110,318
Other non-current liabilities	16,191	41,138	103,982	12,086	25	13,000	-	216,617	(121,605)
Total liabilities	320,049	161,091	679,080	335,411	60,187	33,635	2,033	513,062	(413,303)
Net assets:									
Unrestricted	231,986	16,189	191,210	10,273	1,049	(21,093)	(792)	98,236	21,510
Restricted	3,176	-	-	-	-	-	-	-	3,176
Temporarily	3,122	-	18,922	16,997	17,776	1,115	-	12,079	(10,043)
Permanently	-	-	-	-	-	-	48	30,328	(10,043)
Total net assets	267,191	-	33,181	248,405	33,222	1,194	(21,093)	171,915	160,563
Total liabilities and net assets	\$ 391,249	\$ 242,322	\$ 1,021,292	\$ 290,631	\$ 49,661	\$ 103,311	\$ 1,222	\$ 243,822	\$ 1,212,422

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ALLEgheny HEALTH, EDUCATION AND RESEARCH FOUNDATION
CONSOLIDATING STATEMENT OF OPERATIONS
For the year ended June 30, 1997
(Dollars in Thousands)

	Allegheny General Hospital	Allegheny University Medical Centers	Delaware Valley Obligated Group	Allegheny Hospitals, Centennial	Allegheny Hospitals, New Jersey	Allegheny Integrated Health Group	Allegheny Singer Research Institute	Allegheny Operations	Elim.	Consolidated AlleGF
Unrestricted revenues, gains and other support:										
Net patient service revenue	\$ 441,088	\$ 103,059	\$ 956,980	\$ 64,843	\$ 16,699	\$ 117,589	\$ 9,440	\$ 2,413	\$ (4,089)	\$ 1,702,671
Research and training support	-	-	66,077	96	-	-	-	-	-	71,524
Academic activities	-	-	64,114	-	-	-	-	-	-	64,434
Investment income/(loss)	20,470	6,882	17,796	1,006	1,173	(1,021)	299	45,601	(6,431)	85,931
Net assets released from restrictions used for operations	1,081	741	8,386	189	-	-	169	36,663	-	47,229
Other revenue	15,192	1,962	63,194	2,138	378	9,400	24	42,384	(52,463)	83,156
Total revenues, gains and other support	477,831	112,944	1,177,614	68,272	18,450	125,968	9,912	127,261	(63,005)	2,094,967
Expenses:										
Salaries, wages and fringe benefits	197,392	52,130	661,370	26,048	7,743	130,355	4,829	106,387	147	1,187,601
Materials, supplies and services	224,748	37,116	411,078	27,802	6,293	48,682	10,003	(13,677)	(51,911)	700,154
Depreciation and amortization	30,873	(1,386)	57,099	1,746	678	8,319	883	9,479	-	107,691
Interest	12,975	3,207	24,166	2,169	545	33	53	-	(6,431)	37,595
Total expenses	465,988	92,587	1,152,913	57,965	15,259	187,189	15,768	102,389	(58,217)	2,033,041
Net income/(loss)	11,843	20,057	23,701	10,307	3,191	(61,421)	(5,836)	24,872	(4,288)	21,926
Net assets released from restrictions used for acquisition of property and equipment										
Unrealized appreciation/(depreciation) of investments	167	4,188	228	40	(1,078)	-	-	(1,190)	-	395
Transfers to other net assets	(1,191)	-	(7,915)	40	-	-	-	-	-	(9,146)
Transfers (to)from affiliates, net	31,620	(6,007)	(1,667)	25,997	(72)	(44)	328	(11,188)	(43,715)	(1,667)
Other	-	(49)	1	-	-	-	(1,076)	3	170	1
Increase/(decrease) in unrestricted net assets	\$ 42,422	\$ 16,189	\$ 40,145	\$ 10,725	\$ 2,062	\$ (62,162)	\$ (12,921)	\$ (21,861)	\$ 2,206	\$ 10,360

ALLEGIENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
CONSOLIDATING STATEMENTS OF CHANGES IN NET ASSETS
For the year ended June 30, 1997
(Dollars in Thousands)

	Allegheny General Hospital	Allegheny University Medical Center	Deleware Valley Obligated Group	Allegheny Hospitals, Centennial	Allegheny Hospitals, New Jersey	Allegheny Integrated Health Group	Allegheny Singers, Research Institute	AHEF Operations	Elim.	Consolidated AHEF
Unrestricted net assets:										
Net income/(loss)	\$ 11,847	\$ 20,097	\$ 21,101	\$ 10,307	\$ 3,197	\$ 3,197	\$ (1,911)	\$ 24,872	\$ (4,706)	\$ 31,216
Net assets released from restrictions used for acquisition of property and equipment	167	-	216	-	-	-	-	-	-	315
Unrealized appreciation/(depreciation) of investments	(1,191)	4,114	(7,915)	40	(1,028)	-	-	(1,190)	-	(1,146)
Transfers to other net assets	-	-	-	-	-	-	-	-	-	(1,677)
Transfers (to)from affiliates	31,620	(8,007)	35,997	(21)	(46)	316	(13,100)	(41,715)	1,051	-
Other	-	(459)	-	-	-	(1,019)	-	(70)	-	(919)
Increase/(decrease) in unrestricted net assets	32,439	16,169	40,143	9,311	2,099	2,099	(92,469)	(19,011)	(21,167)	31,216
Temporarily restricted net assets:										
Contributions	1,506	-	10,193	49	30	-	141	-	-	10,190
Investment income	1,048	-	19,947	116	-	-	2,019	-	-	12,181
Net assets released from restrictions	(1,341)	-	(8,616)	(189)	-	-	(169)	-	-	32,015
Unrealized appreciation/(depreciation) of investments	265	-	(2,201)	916	-	-	(16,667)	-	-	(16,811)
Transfers from other net assets	-	-	2,371	-	-	-	(1,001)	-	-	(6,009)
Transfers (to)from affiliates	-	-	1,948	16,140	1,371	-	(3,412)	-	-	2,431
Acquisition of affiliates	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Increase/(decrease) in temporarily restricted net assets	1,361	-	26,946	17,726	1,321	1,321	(4,419)	(10,029)	(1,029)	1,04
Permanently restricted net assets:										
Contributions	4,815	-	2,619	36	-	-	-	-	-	-
Investment income	-	735	370	-	-	-	-	-	-	-
Net assets released from restrictions	-	4,419	1,687	-	-	-	-	-	-	-
Unrealized appreciation/(depreciation) of investments	-	-	(8,064)	-	-	-	-	-	-	-
Transfers to other net assets	1,150	-	8,916	-	-	-	-	-	-	-
Transfers (to)from affiliates	-	-	17,519	-	7,013	-	-	-	-	-
Acquisition of affiliates	-	-	-	-	-	-	-	-	-	-
Other	-	-	(171)	-	-	-	-	-	-	-
Increase/(decrease) in permanently restricted net assets	3,263	18,912	12,484	2,111	-	-	(1,998)	6,771	(4,119)	41,610
Increase/(decrease) in net assets	39,443	15,141	80,101	31,321	3,196	3,196	(1,911)	59,449	(1,190)	84,514
Net assets, beginning of year	212,316	1	203,221	-	-	-	-	216,610	(1,191)	215,914
Net assets, end of year	211,873	1	210,409	1	10,321	1	(1,029)	210,321	1	210,321

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year ended June 30, 1997
(Dollars in Thousands)

	Allegheny General Hospital	Allegheny University Medical Center	Delaware Valley Obligated Group	Allegheny Hospital, Sentinal	Allegheny Health Network, New Jersey	Allegheny Integrated Health Group	Allegheny Research Institute	ASTRF Operations	Other	Consolidated Allegheny
Cash flows from operating activities:										
Change in net assets	\$ 48,463	6	21,341	5	10,185	6	31,377	4	1,394	3
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:										
Depreciation and amortization	10,877		(1,186)		11,099		1,746		410	
Net realized (gain)/losses on equity investments	(11,010)								9,119	
Equipment purchases	(14,634)								1,117	
Transfers (to/from) affiliates			(18,179)						(2,204)	
Net assets balances related to business combinations			(11,319)		(17,307)		(24,484)		66,913	
Increase/(decrease) in cash from changes in:										
Short-term investments	1,114		(6)		(109)		(112)		(10)	
Revolving lines	(9,345)		(10,008)		1,415		(1,145)		(2,151)	
Inventories	(672)		20		14		(1,145)		77	
Prepaid expenses	(414)		(1,084)		(189)		(189)		488	
Accounts payable and accrued expenses	9,049		(10,718)		6,984		(10,601)		(10,107)	
Deferred revenue	(518)				18				110	
Self-insurance liabilities									1,090	
Other			(189)		(1,029)		(1,029)		(1,120)	
Net cash provided/(used) by operating activities	1,107		(1,015)		48,380		(21,260)		(1,120)	
Cash flows from investing activities:										
Acquisition of property and equipment, net	(12,911)		(4,159)		(11,414)		(4,201)		(11,397)	
Acquisition of physician practice assets, net									(11,709)	
Acquisition of physician practice intangible assets									(10,816)	
Proceeds from sale of property and equipment	16,010		(1,910)		(19,182)		(101)		6,319	
Decrease/(increase) in assets held or restricted as to use, net	(1,201)								(10,700)	
Cash balances related to business combinations			(1,191)						(1,191)	
Net cash provided/(used) by investing activities	11,922		(4,314)		(21,184)		(11,419)		3,701	
Cash flows from financing activities:										
Net drawings/(repayments) on lines of credit	(4,701)		16,100		(6,110)		1,491		3,114	
Due (to/from) affiliates	(1,607)		16,633		31,384		(1,029)		2,611	
Issuance/(repayment) of long-term debt			(1,611)		119		(1,029)		21	
Net cash provided/(used) by financing activities			(19,304)		33,910		25,316		1,921	
Net increase/(decrease) in cash and cash equivalents	3,235		6,319		(4,813)		948		3,235	
Cash and cash equivalents, beginning of year	1,232								91	
Cash and cash equivalents, end of year	4,464		8,739		1,419		20,444		11,164	
Supplemental disclosure:										
Cash paid for interest, net of capitalized interest										

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ALLEGHENY UNIVERSITY MEDICAL CENTERS
CONSOLIDATED BALANCE SHEET
as of June 30, 1997
(Dollar in Thousands)

ASSETS

	Forbes Hospitals	Allegheny Valley Hospital	FHSI	Elim. Inter Comp.	Consolidated AU/MC
Current assets:					
Cash and cash equivalents	\$ 5,149	\$ 2,692	\$ 88	\$	\$ 8,729
Assets limited or restricted as to use					
Receivables:					
Patient accounts, net	16,631	10,383	15	-	21,004
Grants and Other	1,000	164	-	-	1,139
Inventories	1,949	321	-	-	2,270
Prepaid expenses	465	1,210	1	-	1,699
Total current assets	24,145	14,980	906	-	44,031
Assets limited or restricted as to use, net of current portion					
Property and equipment, net	111,830	51,719	967	-	184,544
Other assets	3,052	1,181	-	-	4,234
Total assets	170,061	63,914	1,520	(169)	240,233
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and accrued expenses	\$ 17,058	\$ 7,137	\$ 234	\$	\$ 24,419
Current portion of long-term debt	2,682	280	-	-	1,463
Total current liabilities	19,740	7,417	234	-	27,881
Long-term debt, net of current portion					
Self-insurance liabilities	71,394	42,246	1,301	-	118,110
Due to affiliates	17,113	4,319	-	-	16,612
Other noncurrent liabilities	35,033	2,593	-	-	41,178
Total liabilities	(41,490)	60,067	1,335	-	205,092
Net assets:					
Unrestricted	7,610	1,147	688	(165)	16,169
Restricted:					
Permanently	18,932	-	-	-	18,932
Temporarily	26,271	2,467	688	(165)	35,151
Total net assets	\$ 170,061	\$ 63,914	\$ 2,422	\$ (165)	\$ 240,233

ALLEGHENY UNIVERSITY MEDICAL CENTERS
CONSOLIDATING STATEMENT OF OPERATIONS
(Dollars in Thousands)

	Forbes Hospitals for the period January 1, 1997 through June 30, 1997	Allegheny Valley Hospital for the period March 1, 1997 through June 30, 1997	FHS Insurance, Ltd. for the period January 1, 1997 through June 30, 1997	Consolidated AUMC
Unrestricted revenues, gains and other support:				
Net patient service revenue	\$ 74,078	\$ 28,981	\$ 27	\$ 103,059
Investment income	6,484	371	-	6,882
Net assets released from restrictions used for operations	741	-	-	741
Other revenue	1,066	876	250	1,962
Total revenues, gains and other support	82,369	30,228	277	(230)
Expenses:				
Salaries, wages and fringe benefits	39,318	13,812	-	53,130
Materials, supplies and services	28,588	8,471	77	37,136
Depreciation and amortization	(1,263)	(123)	-	(1,386)
Interest	2,607	1,100	-	1,707
Total expenses	69,250	23,260	77	92,587
Net income	13,119	6,968	200	(230)
Unrealized appreciation of investments				
Transfers to affiliates, net	2,914	1,276	(2)	4,188
Other	(7,610)	(397)	-	(8,007)
	<u>(804)</u>	<u>-</u>	<u>690</u>	<u>65</u>
Increase in unrestricted net assets	\$ 7,619	\$ 7,847	\$ 888	\$ (165)
				\$ 16,189

ALLEGHENY UNIVERSITY MEDICAL CENTERS
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
(Dollars in Thousands)

	Forbes Hospitals for the period January 1, 1997 through <u>June 30, 1997</u>	Allegheny Valley Hospital for the period March 1, 1997 through <u>June 30, 1997</u>	FHS Insurance, Ltd. for the period January 1, 1997 through <u>June 30, 1997</u>	Consolidated AUMC
Unrestricted net assets:				
Net Income	\$ 13,119	\$ 6,968	\$ 200	\$ (230)
Unrealized appreciation/(depreciation) of investments	2,914	1,276	(2)	20,057
Transfers to affiliates	(7,610)	(391)	-	4,188
Other	(804)	-	690	(8,007)
Increase in unrestricted net assets	7,619	7,847	888	65
				(49)
Permanently restricted net assets:				
Investment income	735	-	-	735
Unrealized appreciation of investments	1,419	-	-	1,419
Acquisition of affiliates	17,539	-	-	17,539
Other	(741)	-	-	(741)
Increase in permanently restricted net assets	18,952	-	-	18,952
Increase in net assets				
Net assets, beginning of year	26,371	7,847	888	(165)
Net assets, end of year	\$ 26,371	\$ 7,847	\$ 888	\$ (165)
				\$ 15,141

ALLEGHENY UNIVERSITY MEDICAL CENTERS
CONSOLIDATING STATEMENT OF CASH FLOWS
(Dollars in Thousands)

	Forbes Hospitals for the period January 1, 1997 through June 30, 1997	Allegheny Valley Hospital for the period March 1, 1997 through June 30, 1997	FHS Insurance, Ltd. for the period January 1, 1997 through June 30, 1997	Consolidated AUMC
Cash flows from operating activities:				
Change in net assets	\$ 26,371	\$ 7,947	\$ 816	\$ (155)
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:				
Depreciation and amortization	(1,263)	(173)		(1,186)
Net assets balances related to business combinations	(12,339)			(12,339)
Increase/(decrease) in cash from changes in: Receivables	(\$1,591)	(\$4,516)	101	(\$10,016)
Inventories	(2)	22		20
Prepaid expenses	859	768	13	1,640
Accounts payable and accrued expenses	(7,871)	(\$3,076)	229	(\$10,718)
Self-insurance liabilities			161	361
Other	(427)	(42)	(90)	(516)
Net cash provided/(used) by operating activities	(\$5,263)	1,355	85	(\$1,021)
Cash flows from investing activities:				
Acquisition of property and equipment, net	(\$1,216)	(\$912)	(21)	(\$4,150)
Decrease/(increase) in assets limited or restricted as to use, net	296	(\$2,051)	24	(\$1,930)
Cash balances related to business combinations	981	847		1,832
Net cash provided/(used) by investing activities	(1,941)	(\$2,290)	3	(\$4,278)
Cash flows from financing activities:				
Due to affiliates	12,313	4,319		16,637
Insurance/(repayments) of long-term debt	40	(692)		(632)
Net cash provided by financing activities	12,273	3,627		15,980
Net increase in cash and cash equivalents	\$ 1,149	\$ 1,692	\$ 886	\$ 3,729
Cash and cash equivalents, beginning of year				
Cash and cash equivalents, end of year	\$ 1,612	\$ 3,149	\$ 2,692	\$ 2,619
Supplemental disclosure:				
Cash paid for interest, net of capitalized interest				

TN CBC438 00928

DELAWARE VALLEY OBLIGATED GROUP
COMBINING BALANCE SHEET
as of June 30, 1997
(Dollars in thousands)

ASSETS

	MCP Hospital	Elkins Park Hospital	Duchs County Hospital	Hahnemann Hospital	Management Support Services	St. Christopher's	Allegheny University of the Health Sciences	Combined Delaware Valley Obligated Group
Current assets:								
Cash and cash equivalents								
Cash	\$ 4,122	\$ 311	\$ 449	\$ 11,763	\$ 103	\$ 3,437	\$ 55	\$ 20,444
Short-term investments	1,343	-	-	6,339	-	6	-	6
Assets limited or restricted as to use	-	-	-	-	1,202	17,336	-	16,167
Receivables:	-	-	-	-	-	-	-	-
Patient accounts, net	45,301	12,364	10,136	36,451	1,311	15,261	40,968	70,194
Grants and other	2,911	201	17	3,205	49	2,142	31,787	40,112
Inventories	2,990	631	516	6,159	274	1,493	70	12,133
Prepaid expenses	1,270	185	254	1,779	322	449	309	4,368
Total current assets	57,877	13,692	11,394	86,196	2,269	43,980	90,727	206,144
Assets limited or restricted as to use, net								
of current portion	5,448	37	-	26,904	-	10,319	141,110	204,312
Property and equipment, net	78,387	21,713	21,524	172,365	51,164	77,320	93,516	416,191
Due from affiliates	5,848	5,946	4,341	44,660	22,679	6,586	(90,440)	-
Other assets	8,942	4,026	4,259	9,160	2,310	8,170	4,966	41,618
Total assets	126,342	51,406	31,218	182,982	167,012	139,319	190,440	518,294
LIABILITIES AND NET ASSETS								
Current liabilities:								
Accounts payable and accrued expenses	\$ 26,313	\$ 6,129	\$ 3,728	\$ 41,303	\$ 9,421	\$ 15,268	\$ 26,393	\$ 129,653
Deferred revenue	55	-	-	160	816	16,372	-	17,813
Line of credit	-	-	-	19,000	24,100	-	3,000	\$7,100
Current portion of long-term debt	15,000	1,218	2,119	1,104	6,377	-	1,163	12,803
Total current liabilities	42,516	8,640	4,837	64,340	33,327	17,309	45,967	217,409
Long-term debt, net of current portion								
Self-influence liabilities	58,003	51,240	16,979	178,004	-	46,214	16,066	394,418
Due to affiliates	-	-	-	1,986	-	-	3,434	7,310
Other noncurrent liabilities	-	-	21,594	16,083	-	-	91,761	40,982
Total liabilities	100,591	85,728	39,956	246,230	33,371	63,610	(98,373)	(90,440)
Net assets:								
Unrestricted	52,451	(31,366)	1,327	67,691	(949)	88,238	20,818	191,220
Restricted	2,006	244	35	8,075	(1)	11,011	55,637	76,997
Temporarily	-	-	-	17,143	-	4,066	21,411	89,119
Permanently	1,439	-	-	-	-	-	-	-
Total net assets	51,916	(31,322)	1,362	92,059	(959)	(10) 315	133,946	246,406
Total liabilities and net assets	126,342	51,406	31,218	182,982	167,012	139,319	190,440	518,294

TN CBC43B 00929

DELAWARE VALLEY OBLIGATED GROUP
COMBINING STATEMENT OF OPERATIONS
For the year ended June 30, 1997
(Dollars in Thousands)

	MCP Hospital	Elkins Park Hospital	Bucks County Hospital	Mahnemann Hospital	Management Support Services	St. Christopher's	Allegheny University of the Health Sciences	Elim.	Combined Delaware Valley Obligated Group
Unrestricted revenues, gains and other support:									
Net patient service revenue	\$ 217,699	\$ 61,297	\$ 51,393	\$ 310,099	\$ 1,706	-	\$ 133,029	\$ 163,263	\$ 916,980
Research and training support	1,350	2	134	17	-	-	2,111	58,910	66,077
Academic activities	468	25	7	6,501	-	-	61,490	64,434	-
Investment income	176	19	14	512	-	911	6,130	17,796	-
Net assets released from restrictions used for operations	5,477	631	944	6,552	5,106	6,720	87,779	(53,288)	8,386
Other revenue	-	-	-	-	-	-	-	-	63,941
Total revenues, gains and other support	229,172	62,126	52,575	347,370	5,106	148,227	186,176	(53,288)	1,177,614
Expenses:									
Salaries, wages and fringe benefits	108,281	27,211	27,640	161,514	17,770	66,041	257,911	-	661,370
Materials, supplies and services	93,874	21,823	20,679	145,343	(17,363)	63,325	133,105	(53,288)	411,078
Depreciation and amortization	10,383	3,193	3,285	18,803	6,312	7,833	7,290	-	57,099
Interest	1,377	5,131	1,871	9,347	(1,593)	2,740	3,293	-	24,366
Total expenses	211,515	59,360	48,473	235,207	5,106	139,919	101,599	(53,288)	1,122,912
Net income/(loss)	11,657	2,766	4,100	12,163	-	8,288	(15,273)	-	23,701
Net assets released from restrictions used for acquisition of property and equipment									
Unrealized depreciation of investments	(96)	-	-	-	(6,113)	-	20	208	228
Transfers (to)from other net assets	(1,150)	25	1,331	-	(159)	-	(719)	(937)	(7,913)
Transfers (to)/from affiliates, net	(1,245)	1,001	1	-	(2,820)	-	400	(1,783)	(1,667)
Other	-	-	-	-	-	-	6,553	23,177	25,997
Increase in unrestricted net assets	\$ 1,166	\$ 1,793	\$ 1,411	\$ 1,021	\$ 1,4542	\$ 1,342	\$ 1,342	\$ 40,345	\$ 40,345

TN CBC438 00930

DELAWARE VALLEY OBLIGATED GROUP
COMBINING STATEMENT OF CHANGES IN NET ASSETS
For the year ended June 30, 1997
(Dollars in Thousands)

	MCP Hospital	Elkins Park Hospital	Ducks County Hospital	Hahnemann Hospital	Management Support Services	St. Christopher's	Allegheny University of the Health Sciences	Elim.	Combined Delaware Valley Obligated Group
Unrestricted net assets:									
Net income/(loss)	\$ -11,637	\$ 2,364	\$ 4,100	\$ 11,163	\$	\$ 9,208	\$ (15,273)	\$	\$ 21,701
Net assets released from restrictions used for acquisition of property and equipment	(96)	-	-	(6,113)	-	-	70	206	-
Unrealized depreciation of investments	(150)	25	-	(159)	-	(719)	(917)	-	220
Transfers (to)from other net assets	(3,243)	1,001	1,331	(2,320)	-	400	(1,701)	-	(7,915)
Transfers (to)from affiliates	-	-	-	-	-	6,533	2,177	-	(1,647)
Other	-	-	-	-	-	-	-	-	23,997
Increase in unrestricted net assets	9,166	3,791	3,431	1,071	-	14,322	3,342	-	40,363
Temporarily restricted net assets:									
Contributions	3	60	23	1	-	2,223	8,032	-	10,191
Investment income	636	2	-	2,967	-	764	14,468	-	19,047
Net assets released from restrictions	(176)	(19)	(14)	(511)	-	(911)	(6,962)	-	(8,614)
Unrealized depreciation of investments	(88)	-	-	(161)	-	-	(1,614)	-	(1,703)
Transfers (to)from other net assets	130	(111)	-	(17)	-	3	2,170	-	2,477
Transfers (from) affiliates	-	-	-	-	-	-	3,848	-	3,848
Increase in temporarily restricted net assets	517	41	11	3,374	-	2,079	22,122	-	26,944
Permanently restricted net assets:									
Contributions	29	-	-	-	-	946	1,694	-	2,669
Investment income	13	-	-	-	-	-	355	-	370
Unrealized appreciation of investments	-	-	-	(1,753)	-	-	(616)	-	1,697
Transfers to other net assets	-	-	-	(16)	-	(101)	(317)	-	(108)
Transfers from affiliates	-	-	-	-	-	388	9,354	-	9,946
Increase in permanently restricted net assets	44	-	-	1,727	-	91	10,104	-	12,876
Increase in net assets									
Net assets, beginning of year	4,727	3,434	4,442	4,931	-	11,511	7,676	-	30,183
Net assets, end of year	51,926	5,1922	5,1922	5,1922	5	10,311	96,318	5	265,221

TN CBC43B 00931

COMBINING STATEMENT OF CASH FLOWS
 For the year ended June 30, 1997
 (Dollars in Thousands)

	MCP Hospital	Elkins Park Hospital	Bucks County Hospital	Hahnemann Hospital	Management Services	St. Christopher's	Albiony University of the Health Sciences	Film	Combined Delaware Valley Obligated Group
Cash flows from operating activities:									\$ 60,185
Change in net assets	\$ 1,727	\$ 1,934	\$ 3,442	\$ 6,982	\$ 17,572	\$ 17,628	\$ 1		
Adjustments to reconcile change in net assets to net cash provided by operating activities:									
Depreciation and amortization	10,182	3,193	2,245	(6,403)	6,312	7,033	7,290		\$7,099
Transfers from affiliates	(11,361)	(6,101)	(8,101)	(12,446)		(12,502)	(4,624)		(4,139)
Net assets balances related to business combinations									(13,467)
Increases/(decreases) in cash from changes in: Short-term investments	(3,726)	900	(120)	11,161	(1,591)	5,869	(11,136)		(6)
Receivables	(61)	35	61	(110)	(63)	316	(70)		2,459
Inventories	(467)	6	87	(347)	13	(14)	(150)		16
Prepaid expenses	4,342	713	(319)	8,358	4,059	(9,618)	(411)		(1,186)
Accounts payable and accrued expenses	(153)			(323)		219	354		6,986
Deferred revenue									16
Self-insurance liabilities									(1,110)
Other	46		(109)	31	(1,116)	(2,236)	(1,418)		(3,001)
Net cash provided by operating activities	\$ 9,010	\$ 932	128	\$ 11,163	7,709	6,463	(7,419)		\$ 46,600
Cash flow from investing activities:									
Acquisition of property and equipment, net Decrease/(Increase) in assets limited or restricted as to use, net	(8,377)	(460)	(606)	(11,660)	(2,171)	(10,498)	(16,518)		(51,410)
	(11)	(12)		2,361	3	(6,176)	(2,222)		(23,882)
Net cash used by investing activities	(8,388)	(467)	(601)	(9,399)	(2,171)	(16,624)	(19,731)		(77,291)
Cash flows from financing activities:									
Net drawings/(repayments) on lines of credit	4,000		54	4,000	11,460	(1,114)	(1,000)		16,000
Due to/from affiliates	(1,269)	54	(92)	(1,016)	(17,369)		49,417		6,940
Issuance/(repayments) of long-term debt	14			1,469		19			120
Net cash provided/(used) by financing activities	2,85	(92)	(24)	(12,162)	(1,469)	(1,192)	46,617		23,610
Net increase/(decrease) in cash and cash equivalents	(93)	(719)	(631)	6,693	108	(11,308)	(691)		(6,918)
Cash and cash equivalents, beginning of year	4,215	1,039	1,010	3,048	199	(4,943)	748		21,182
Cash and cash equivalents, end of year	\$ 4,122	\$ 1,121	\$ 49	\$ 11,231	\$ 102	\$ 1,027	\$ 1,261		\$ 20,444
Supplemental disclosure:									
Cash paid for interest, net of capitalized interest									\$ 24,021

TN CBC438 00932

ALLEGIENY HOSPITALS, CENTENNIAL
COMBINING BALANCE SHEET
as of June 30, 1997
(Dollars in thousands)

ASSETS

	Graduate Hospital	Mt. Sinai Hospital	City Avenue Hospital	Parkview Hospital	Elim.	Combined Allegheny Hospitals, Centennial
Current assets:						
Cash and cash equivalents	\$ 501	\$ 63	\$ -	\$ -	\$ -	\$ 968
Short-term investments	500	2,750	-	-	-	500
Assets limited or restricted as to use	8,945	-	-	-	-	11,693
Receivable:						
Patient accounts, net	29,356	6,781	6,648	6,837	-	49,622
Grants and other	5,877	283	66	42	-	10,849
Inventories	5,597	189	779	573	-	7,138
Prepaid expenses	1,417	163	30	33	-	1,664
Total current assets	52,595	10,230	7,522	7,907	4,561	82,436
Assets limited or restricted as to use, net						
of current portion	34,333	3,907	-	-	-	34,240
Property and equipment, net	60,608	8,135	24,868	30,312	-	144,123
Due from affiliates	13,876	-	-	-	-	-
Other assets	7,433	59,341	26,615	14,303	-	101,834
Total assets	\$ 109,087	\$ 79,811	\$ 29,056	\$ 22,922	\$ (9,295)	\$ 199,622
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable and accrued expenses	\$ 38,951	\$ 12,441	\$ 9,646	\$ 7,910	\$ -	\$ 68,077
Deferred revenue	62	349	331	-	-	1,142
Current portion of long-term debt	5,840	1,445	138	469	-	7,912
Total current liabilities	43,553	13,886	10,333	8,399	-	77,911
Long-term debt, net of current portion						
Due to affiliates	18,714	41,640	1,780	2,572	-	166,023
Other noncurrent liabilities	11,979	24,293	44,749	40,302	(9,295)	102,249
Total liabilities	123,646	70,846	56,901	52,313	(9,295)	235,411
Net assets:						
Unrestricted	10,494	(13)	105	(291)	-	10,275
Restricted	17,776	-	-	-	-	17,776
Temporarily Permanently	7,171	-	-	-	-	7,171
Total net assets	35,441	(29)	103	(291)	-	35,222
Total liabilities and net assets	\$ 109,087	\$ 79,811	\$ 29,056	\$ 22,922	\$ (9,295)	\$ 199,622

ALLEGHENY HOSPITALS, CENTENNIAL
COMBINING STATEMENT OF OPERATIONS
For the period May 1, 1997 through June 30, 1997
(Dollars in Thousands)

	<u>Graduate Hospital</u>	<u>Mt. Sinai Hospital</u>	<u>City Avenue Hospital</u>	<u>Parkview Hospital</u>	<u>Elim.</u>	<u>Combined Allegheny Hospitals, Centennial</u>
Unrestricted revenues, gains and other support:						
Net patient service revenue	\$ 40,603	\$ 5,092	\$ 11,106	\$ 8,042	\$ -	\$ 64,843
Research and training support	952	54	-	-	-	96
Investment income	189	-	-	-	-	1,006
Net assets released from restrictions used for operations	1,061	863	67	202	(55)	189
Total revenues, gains and other support	42,901	6,009	11,173	8,244	(55)	2,138
Expenses:						
Salaries, wages and fringe benefits	12,689	3,255	5,919	4,185	-	26,048
Materials, supplies and services	18,141	1,906	4,192	3,618	(55)	27,802
Depreciation and amortization	431	262	610	443	-	1,746
Interest	1,197	586	322	264	-	2,369
Total expenses	32,458	6,009	11,043	8,510	(55)	57,965
Net income/(loss)	10,443	-	130	(266)	-	10,107
Unrealized appreciation/(depreciation) of investments	73	(31)	-	-	-	40
Transfers to affiliates, net	(22)	-	(25)	(25)	-	(72)
Increase/(decrease) in unrestricted net assets	\$ 10,494	\$ (31)	\$ 105	\$ (291)	\$ 10,275	

ALLEGHENY HOSPITALS, CENTENNIAL

COMBINING STATEMENT OF CHANGES IN NET ASSETS
 For the period May 1, 1997 through June 30, 1997
 (Dollars in Thousands)

	Graduate Hospital	Mt. Sinai Hospital	City Avenue Hospital	Parkview Hospital	Elim.	Combined Allegheny Hospitals, Centennial
Unrestricted net assets:						
Net income/(loss)	\$ 10,443	\$ 73	\$ (33)	\$ 130	\$ (26)	\$ 10,307
Unrealized appreciation/(depreciation) of investments	(22)			(25)	(25)	40
Transfers to affiliates						(72)
Increase/(decrease) in unrestricted net assets	10,494	(22)	(25)	105	(29)	10,275
Temporarily restricted net assets:						
Contributions	89					89
Investment income	158					158
Net assets released from restrictions	(189)					(189)
Unrealized appreciation of investments	978					978
Acquisition of affiliates	16,740					16,740
Increase in temporarily restricted net assets	17,776					17,776
Permanently restricted net assets:						
Contributions	56					56
Acquisition of affiliates	7,115					7,115
Increase in permanently restricted net assets	7,171					7,171
Increase/(decrease) in net assets						
Net assets, beginning of year	35,441	(33)	105	(29)		35,222
Net assets, end of year	\$ 35,441	\$ (33)	\$ 105	\$ (29)		\$ 35,222

TN CBC438 00935

ALLEGHENY HOSPITALS, CENTENNIAL
COMBINING STATEMENT OF CASH FLOWS
For the period May 1, 1997 through June 30, 1997
(Dollars in Thousands)

	Graduate Hospital	Mt. Sinai Hospital	City Avenue Hospital	Parkview Hospital	Elim.	Consolidated Allegheny Hospitals, Centennial
Cash flows from operating activities:	\$ 35,441	\$ (11) 4	\$ 105 5	\$ (29) 6	\$ 5	\$ 35,222
Change in net assets						
Adjustments to reconcile change in net assets to net cash used by operating activities:						
Depreciation and amortization	411	262	610	443		1,746
Net assets balances related to business combinations	(24,464)					(24,464)
Increases/(decrease) in cash from changes in:						
Short-term investments	(100)					(100)
Receivables	(631)	(105)				(1,837)
Inventories	(919)	19	(229)	(13)		(1,214)
Prepaid expenses	(677)	(86)	124	76		(129)
Accounts payable and accrued expenses	(10,311)	(6,391)	(1,164)	(2,110)		(10,661)
Deferred revenue						
Self-insurance liabilities						
Other	(1,469)	(399)	(37)			(1,921)
Net cash used by operating activities	(13,118)	(7,703)	(1,463)	(1,920)		(18,284)
Cash flows from investing activities:						
Acquisition of property and equipment, net	(12,117)	(119)	(941)	(11)		(12,204)
Decrease/(increase) in assets limited or restricted as to use, net	817	61,410	91			(449)
Cash balances related to business combinations	4,696					4,696
Net cash provided/(used) by investing activities	2,416	(1,339)	(844)	(15)		(1)
Cash flows from financing activities:						
Net repayments of lines of credit	11,341	9,314	(3,735)	(3,401)		(6,156)
Due to/from affiliates	(119)	9	8,072	6,417		35,594
Issuance/(repayment) of long-term debt			(19)	(19)		(304)
Net cash provided by financing activities	(1,320)	9,314	(5,711)	(3,213)		29,214
Net increase in cash and cash equivalents	901	65				966
Cash and cash equivalents, beginning of year						
Cash and cash equivalents, end of year	140	1				141
Supplemental disclosure:						
Cash paid for interest, net of capitalized interest						

EXHIBIT 0072

**AHERF
AUDIT UPDATE
AUGUST 22, 1997**

- I. QualMed / Greater Atlantic Deferred Revenue (Rebel as cushion for prudent buyer) } a portion s/b pushed back to the opening B/S
- II. PFMA Contract Reserves held in legal documents that indicate HHS is obligated to transfer funds per fo D/V
- III. Debt Compliance Items
 - A. Format of Letters
 - B. Covenants Satisfied by Obligated Groups
- IV. A/P Cutoff
 - A. Search findings to date. (completed through July) p ff
- V. CRA Review
 - A. Cushions / Open Items
- VI. PIP Account Status
- VII. Medicare Recapture through reserves Al to provide summary & restricted
- VIII. Temporarily Restricted to Unrestricted Transfers
- IX. Reserves for Risk Contracts HHS actively seek defers a corporate policy for use of funds temp post funds
- X. AIHG Goodwill / PP&E Transfers For bid AGH 1.5m
- XI. Draft Financial Statements

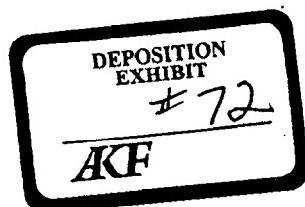


EXHIBIT 0109

ALLEGHENY UNIVERSITY HOSPITALS
BUCKS COUNTY
PROVISION FOR BAD DEBT
06/30/96

08-Oct-98
09:53 AM

CODE	FINANCIAL CLASS	NOT BILLED	BILLED & UNBILLED									BILLED TOTAL
			0-30	31-60	61-90	91-120	121-150	151-180	181-360	>360	TOTAL	
INPATIENT TOTALS												
A	OTHER HMO	0	0	0	0	0	0	0	2,406	2,448	4,853	4,853
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	10.00%	30.00%	734	975
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	241			975
B	BLUE CROSS	0	0	0	0	0	0	0	263,977	407,320	671,297	671,297
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	10.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	26,398	122,196	148,594	148,594
C	CONTRACT PAYOR	0	0	0	0	0	0	0	0	11,221	11,221	11,221
	ALLOWANCE PERCENT	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	2,244	2,244	2,244
D	DPA (O/P)	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	50.00%	85.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0		
E	EMPLOYEE HEALTH	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	15.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0		
F	ASU COS EYE	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	15.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0		
G	NO FAULT	0	928	0	0	0	0	0	45,904	24,258	71,089	71,089
	ALLOWANCE PERCENT	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	20.00%	50.00%		
	REQUIRED ALLOWANCE	0	139	0	0	0	0	0	9,181	12,129	21,449	21,449
H	CHAMPUS	0	0	0	0	0	0	0	9,251	16,122	25,373	25,373
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	15.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	1,388	4,837	6,224	6,224
I	COMMERCIAL INS	0	4	0	0	0	0	0	339,539	89,842	429,386	429,386
	ALLOWANCE PERCENT	10.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	20.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	16,977	17,968	34,946	34,946
J	INS AFTER INS PYMT	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0		
K	MEDICARE SNF	0	(6,246)	0	0	0	0	0	0	0	(6,246)	(6,246)
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	5.00%	30.00%		
	REQUIRED ALLOWANCE	0	(125)	0	0	0	0	0	0	(125)	(125)	

CL-000987

EXHIBIT
DEPOSITION
KFC

109 R.S.

Z	CHARITY CARE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	81,065 100.00% 81,065	76,425 100.00% 76,425	157,490 157,490 157,490	157,490 157,490 157,490
'''TOTAL INPATNT A/R BAL		0 (108,625)	~ 0	0 0	0 0	0 0	0 0	1,854,619 413,696	1,154,683 437,083	2,900,677 807,520	2,900,677 (4) 807,520
'''TOTAL INPATNT REQ ALLOW		0 (43,259)	0 0	0 0	0 0	0 0	0 0	413,696 332,631	437,083 360,658	807,520 650,030	807,520 650,030 (7)
'''RESERVE % OF A/R BAL		ERR 39.8%	ERR	ERR	ERR	ERR	ERR	22.3% 18.8%	37.9% 33.4%	0 0	27.8% 23.7%

ALLEGHENY UNIVERSITY HOSPITALS BUCKS COUNTY PROVISION FOR BAD DEBT 08/30/98												08-Oct-98 09:53 AM
CODE	FINANCIAL CLASS	NOT BILLED	BILLED & UNBILLED								BILLED TOTAL	
			0-30	31-60	61-90	91-120	121-150	151-180	181-360	>360		
REHAB TOTALS												
A	OTHER HMO ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 10.00% 0	0 30.00% 0	0 0	0 0	0 0
B	BLUE CROSS ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 10.00% 0	0 30.00% 359	1,198 359	1,198 359	1,198 359
C	CONTRACT PAYOR ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 20.00% 0	0 20.00% 0	0 20.00% 0	0 20.00% 0	0 20.00% 0	0 20.00% 0	0 20.00% 0	0 20.00% 0	0 0	0 0	0 0
D	DPA (O/P) ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 50.00% 0	0 85.00% 0	0 0	0 0	0 0
E	EMPLOYEE HEALTH	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0

666000 7Q

	ALLOWANCE PERCENT REQUIRED ALLOWANCE	5.00% 0	5.00% 0	5.00% 0	5.00% 0	5.00% 0	5.00% 0	15.00% 0	30.00% 0	0	0
F	ASU COS EYE	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT REQUIRED ALLOWANCE	5.00% 0	5.00% 0	5.00% 0	5.00% 0	5.00% 0	5.00% 0	15.00% 0	30.00% 0	0	0
G	NO FAULT	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT REQUIRED ALLOWANCE	15.00% 0	15.00% 0	15.00% 0	15.00% 0	15.00% 0	15.00% 0	20.00% 0	50.00% 0	0	0
H	CHAMPUS	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT REQUIRED ALLOWANCE	5.00% 0	5.00% 0	5.00% 0	5.00% 0	5.00% 0	5.00% 0	15.00% 0	30.00% 0	0	0
I	COMMERCIAL INS	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT REQUIRED ALLOWANCE	10.00% 0	5.00% 0	5.00% 0	5.00% 0	5.00% 0	5.00% 0	5.00% 0	20.00% 0	0	0
J	INS AFTER INS PYMT	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT REQUIRED ALLOWANCE	10.00% 0	20.00% 0	0	0						
K	MEDICARE SNF	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT REQUIRED ALLOWANCE	2.00% 0	5.00% 0	30.00% 0	0						
L	PENDING MA	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT REQUIRED ALLOWANCE	70.00% 0	75.00% 0	100.00% 0	0						
M	MEDICARE	0	0	0	0	0	0	0	43,168	30,856	74,025
	ALLOWANCE PERCENT REQUIRED ALLOWANCE	2.00% 0	5.00% 2,158	30.00% 9,257	74,025						
N	INSUR - SELF PAY	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT REQUIRED ALLOWANCE	40.00% 0	70.00% 0	85.00% 0	0						
O	SELF PAY	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT REQUIRED ALLOWANCE	40.00% 0	40.00% 0	40.00% 0	40.00% 0	40.00% 1	40.00% 1	40.00% 1	70.00% 1	85.00% 1	6
P	SELF PAY	0	0	0	0	0	0	0	72	228	300
	ALLOWANCE PERCENT REQUIRED ALLOWANCE	40.00% 0	70.00% 50	85.00% 194	300						
Q	BLUE CROSS	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT REQUIRED ALLOWANCE	2.00% 0	10.00% 0	30.00% 0	0						
R	POLICE & FIRE	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT REQUIRED ALLOWANCE	2.00% 0	5.00% 0	30.00% 0	0						

CL 0001000

S	HMO MC OP ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 10.00% 0	0 30.00% 0	0 0 0
T	MEDICAL AST ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 50.00% 0	0 85.00% 0	0 0 0
U	HMO PA ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	27,229 10,191 2,723	30.00% 3,057	37,420 5,780 5,780
V	MCP CARE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 100.00% 0	0 100.00% 0	0 0 0						
W	WORKMENS COMP ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 10.00% 0	26,118 5,224	26,118 5,224 5,224						
X	MANAGED MA ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 10.00% 0	30.00% 0	0 0 0
Y	KEYSTONE EAST ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 10.00% 0	30.00% 0	0 0 0
Z	CHARITY CARE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 100.00% 0	0 100.00% 0	0 0 0						
***TOTAL REHAB A/R BAL		0	0	0	0	0	0	70,469	68,591	139,061 (4)
***TOTAL REHAB REQ ALLOW		0	0	0	1	1	1	1	4,933	18,092 23,029
***RESERVE % OF A/R BAL		ERR	ERR	ERR	ERR	ERR	ERR	7.0%	26.4%	0 16.6%
Z CHARITY CARE ALLOWANCE PERCENT REQUIRED ALLOWANCE		0 100.00% 0	0 100.00% 0	0 0 0						
**ADJ REHAB A/R BAL		0	0	0	0	0	0	70,469	68,591	139,061 139,061
**ADJ REHAB REQ ALLOW		0	0	0	1	1	1	1	4,933	18,092 23,029
***RESERVE % OF A/R BAL				ERR	ERR	ERR	ERR	7.0%	26.4%	16.6% 16.6%

ALLEGHENY UNIVERSITY HOSPITALS

C
001001

BUCKS COUNTY PROVISION FOR BAD DEBT 6/30/96											08-Oct-98 09:53 AM	
CODE	FINANCIAL CLASS	NOT BILLED	0-30	31-60	61-90	91-120	121-150	151-180	181-360	>360	BILLED & UNBILLED TOTAL	BILLED TOTAL
MENTAL HEALTH												
A	OTHER HMO	0	0	0	0	0	0	0	6,860	16,845	23,705	23,705
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	10.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	686	5,054	5,739	5,739
B	BLUE CROSS	0	0	0	0	0	0	0	92,695	499,878	592,573	592,573
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	10.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	9,270	149,963	159,233	159,233
C	CONTRACT PAYOR	0	0	0	0	0	0	0	0	16,842	16,842	16,842
	ALLOWANCE PERCENT	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%			
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	3,368	3,368	3,368
D	DPA (D/P)	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	50.00%	85.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
E	EMPLOYEE HEALTH	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	15.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
F	ASU COS EYE	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	15.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
G	NO FAULT	0	0	0	0	0	0	0	0	716	716	716
	ALLOWANCE PERCENT	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	20.00%	50.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	358	358	358
H	CHAMPUS	0	0	0	0	0	0	0	8,036	6,629	14,665	14,665
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	15.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	1,205	1,989	3,194	3,194
I	COMMERCIAL INS	0	0	0	0	0	0	0	41,754	6,178	47,932	47,932
	ALLOWANCE PERCENT	10.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	20.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	2,088	1,236	3,323	3,323
J	INS AFTER INS PYMT	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
K	MEDICARE SNF	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	5.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
L	PENDING MA	0	0	0	0	0	0	0	82,876	0	82,876	82,876

CL 001002

	ALLOWANCE PERCENT REQUIRED ALLOWANCE	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	75.00%	100.00%	62,157	62,157
M	MEDICARE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0	0	0	0	0	0	0	90,224	0	90,224	90,224
N	INSUR - SELF PAY ALLOWANCE PERCENT REQUIRED ALLOWANCE	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	5.00%	30.00%	0	4,511
O	SELF PAY ALLOWANCE PERCENT REQUIRED ALLOWANCE	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	70.00%	85.00%	0	0
P	SELF PAY ALLOWANCE PERCENT REQUIRED ALLOWANCE	0	0	0	0	0	0	0	86,737	135,524	222,261	222,261
Q	BLUE CROSS ALLOWANCE PERCENT REQUIRED ALLOWANCE	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	70.00%	85.00%	60,716	115,195
R	POLICE & FIRE ALLOWANCE PERCENT REQUIRED ALLOWANCE	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	5.00%	30.00%	0	0
S	HMO MC OP ALLOWANCE PERCENT REQUIRED ALLOWANCE	0	0	0	0	0	0	0	10.00%	30.00%	0	0
T	MEDICAL ASST ALLOWANCE PERCENT REQUIRED ALLOWANCE	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	50.00%	85.00%	317,390	157,540
U	HMO PA ALLOWANCE PERCENT REQUIRED ALLOWANCE	0	(0)	0	0	0	0	0	20,160	46,475	158,695	474,930
V	MCP CARE ALLOWANCE PERCENT REQUIRED ALLOWANCE	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	10.00%	30.00%	0	13,943
W	WORKMENS COMP ALLOWANCE PERCENT REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
X	MANAGED MA ALLOWANCE PERCENT REQUIRED ALLOWANCE	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%	50.00%	23,932	54,058
Y	KEYSTONE EAST ALLOWANCE PERCENT REQUIRED ALLOWANCE	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	10.00%	30.00%	3,643	9,246
		0	0	0	0	0	0	0	18,610	45,674	6,417	45,674
		0	0	0	0	0	0	0	18,610	6,417	0	0

CL 001003

Z	CHARITY CARE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	36,726 100.00% 36,726	12,369 100.00% 12,369	49,095 49,095 49,095	49,095
***TOTAL MENTAL HEALTH A/R		0 (0)	0	0	0	0	0	843,817	962,300	1,806,118	1,806,118 (4)
***TOTAL MENTAL HEALTH REQ ALLOW		0 (0)	0	0	0	0	0	344,106	456,375	800,481	800,481
***RESERVE % OF A/R BAL		ERR 2.0%	ERR	ERR	ERR	ERR	ERR	40.8%	47.4%	0	44.3%

Z	CHARITY CARE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	36,726 100.00% 36,726	12,369 100.00% 12,369	49,095 49,095 49,095	49,095
***ADJ MENTAL HEALTH A/R BAL		0 (0)	0	0	0	0	0	807,091	949,931	1,757,023	1,757,023
***ADJ MENTAL HEALTH REQ ALLOW		0 (0)	0	0	0	0	0	307,380	444,006	751,386	751,386 (7)
***RESERVE % OF A/R BAL		ERR 2.0%	ERR	ERR	ERR	ERR	ERR	38.1%	46.7%	0	42.8%

ALLEGHENY UNIVERSITY HOSPITALS BUCKS COUNTY PROVISION FOR BAD DEBT 06/30/98												08-Oct-98 09:53 AM
											BILLED & UNBILLED TOTAL	BILLED TOTAL
CODE	FINANCIAL CLASS	NOT BILLED	0-30	31-60	61-90	91-120	121-150	151-180	181-360	>360		
OUTPATIENT TOTALS												
A	OTHER HMO ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 1.26% 0	433 1.26% 5	0 1.26% 0	0 1.26% 0	0 1.26% 0	0 1.26% 0	0 1.26% 0	120,719 1.26% 1,521	117,735 1.26% 1,483	238,887 3,010	238,887 3,010
B	BLUE CROSS ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 1.14% 0	2,787 1.14% 32	0 1.14% 0	0 1.14% 0	0 1.14% 0	0 1.14% 0	0 1.14% 0	762,954 1.14% 8,698	407,771 1.14% 4,649	1,173,512 13,378	1,173,512 13,378
C	CONTRACT PAYOR ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 20.00% 0	0 20.00% 0	0 20.00% 0	0 20.00% 0	0 20.00% 0	0 20.00% 0	0 20.00% 0	1,047 20.00% 209	2,867 20.00% 573	3,914 783	3,914 783
D	DPA (O/P) ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 0	0 0
E	EMPLOYEE HEALTH ALLOWANCE PERCENT	0 0.00% 0	0 0.00% 0	0 0.00% 0	0 0.00% 0	0 0.00% 0	0 0.00% 0	0 0.00% 0	188 0.00%	(36) 0.00%	152	152

CL 001004

	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0	0
F	ASU COS EYE	0	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0	0
G	NO FAULT	0	51	0	0	0	0	0	144,217	53,116	197,384	197,384	
	ALLOWANCE PERCENT	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	
	REQUIRED ALLOWANCE	0	4	0	0	0	0	0	12,114	4,462	16,580	16,580	
H	CHAMPUS	0	385	0	0	0	0	0	52,759	29,913	83,057	83,057	
	ALLOWANCE PERCENT	4.95%	4.95%	4.95%	4.95%	4.95%	4.95%	4.95%	4.95%	4.95%	4.95%	4.95%	
	REQUIRED ALLOWANCE	0	19	0	0	0	0	0	2,612	1,481	4,111	4,111	
I	COMMERCIAL INS	0	258	0	0	0	0	0	298,719	95,962	394,939	394,939	
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	20.00%	20.00%	20.00%	
	REQUIRED ALLOWANCE	0	13	0	0	0	0	0	14,936	19,192	34,141	34,141	
J	INS AFTER INS PYMT	0	0	0	0	0	0	0	0	0	431	431	431
	ALLOWANCE PERCENT	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	43	43	43
K	MEDICARE SNF	0	0	0	0	0	0	0	0	0	903	903	903
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	18	18	18
L	PENDING MA	0	959	0	0	0	0	0	1,182	0	2,141	2,141	
	ALLOWANCE PERCENT	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	
	REQUIRED ALLOWANCE	0	671	0	0	0	0	0	827	0	1,499	1,499	
M	MEDICARE	0	(858)	0	0	0	0	0	773,108	365,009	1,137,259	1,137,259	
	ALLOWANCE PERCENT	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%	2,482	2,482	
	REQUIRED ALLOWANCE	0	(6)	0	0	0	0	0	5,257	7,733	7,733	7,733	
N	INSUR - SELF PAY	0	1,066	0	0	0	0	0	0	0	1,066	1,066	
	ALLOWANCE PERCENT	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	426	426	
	REQUIRED ALLOWANCE	0	426	0	0	0	0	0	0	0	426	426	
O	SELF PAY	0	0	0	0	0	0	0	1,896	199	2,095	2,095	
	ALLOWANCE PERCENT	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	80	838	
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	758	838	838	838	
P	SELF PAY	0	550	0	0	0	0	0	164,822	123,445	288,817	288,817	
	ALLOWANCE PERCENT	33.60%	10.00%	10.00%	10.00%	20.00%	20.00%	20.00%	30.00%	30.00%	37,034	86,535	
	REQUIRED ALLOWANCE	0	55	0	0	0	0	0	49,447	86,535	86,535	86,535	
Q	BLUE CROSS	0	0	0	0	0	0	0	0	1,804	1,804	1,804	
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	36	36	
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	36	36	
R	POLICE & FIRE	0	0	0	0	0	0	0	0	9,900	9,900	9,900	
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	198	198	
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	198	198	198	
S	HMO MC OP	0	0	0	0	0	0	0	0	0	0	0	

CL 001005

	ALLOWANCE PERCENT REQUIRED ALLOWANCE	2.00% 0	2.00% 0	2.00% 0	2.00% 0	2.00% 0	2.00% 0	2.00% 0	2.00% 0	2.00% 0	0 0	0 0
T	MEDICAL AST ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 1.00% 0	380 1.00% 4	0 0	0 1.00% 0	0 0	0 1.00% 0	0 1.00% 0	227,055 1,000% 2,271	147,350 1,000% 1,474	374,785 1,000% 3,748	374,785 1,000% 3,748
U	HMO PA ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 0.68% 0	1,569 0.68% 11	0 0.68% 0	0 0.68% 0	0 0.68% 0	0 0.68% 0	0 0.68% 0	1,594,086 1,005,657 10,840	1,005,657 1,000% 6,838	2,601,312 2,601,312	2,601,312 2,601,312
V	MCP CARE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	30,735 100.00% 30,735	30,735 100.00% 30,735	30,735 100.00% 30,735
W	WORKMENS COMP ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 5.90% 0	51 5.90% 3	0 5.90% 0	0 5.90% 0	0 5.90% 0	0 5.90% 0	0 5.90% 0	394,622 59,048 23,283	159,048 5.90% 9,384	553,721 5.90% 32,670	553,721 5.90% 32,670
X	HMO MC OVER 75 ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	113,153 2,00% 2,263	147,675 2,00% 2,954	260,828 2,00% 5,217	260,828 2,00% 5,217
Y	KEYSTONE EAST ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 0.98% 0	(123) 0.98% (1)	0 0.98% 0	0 0.98% 0	0 0.98% 0	0 0.98% 0	0 0.98% 0	536,565 0.98% 5,258	99,022 0.98% 970	635,464 0.98% 6,228	635,464 0.98% 6,228
Z	CHARITY CARE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	773 100.00% 773	533 100.00% 533	1,306 100.00% 1,306	1,306 100.00% 1,306
***TOTAL OUTPATNT A/R BAL		0	7,508	0	0	0	0	0	5,187,865	2,799,039	7,994,412	7,994,412
***TOTAL OUTPATNT REQ ALLOW		0	1,237	0	0	0	0	0	141,067	124,618	266,922	266,922
***RESERVE % OF A/R BAL		ERR	16.5%	ERR	ERR	ERR	ERR	ERR	2.7%	4.5%	3.3%	3.3%
Z	CHARITY CARE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	773 100.00% 773	533 100.00% 533	1,306 100.00% 1,306	1,306 100.00% 1,306
***ADJ OUTPATNT A/R BAL		0	7,508	0	0	0	0	0	5,187,092	2,798,506	7,993,106	7,993,106
***ADJ OUTPATNT REQ ALLOW		0	1,237	0	0	0	0	0	140,294	124,085	265,616	265,616
***RESERVE % OF A/R BAL		ERR	16.5%	ERR	ERR	ERR	ERR	ERR	2.7%	4.4%	3.3%	3.3%
NET O/P REVENUE CALCULATION SPREADSHEET BELOW												

CL-001006

EXHIBIT 0110

BUCKS COUNTY HOSPITAL
INPATIENT BAD DEBT RESERVE CALCULATION
06/30/96

Note: The reserve calculation below is based on the aged by final billed date methodology.

PBC CLASS	TOTAL	INHOUSE & DNFB (NET)	0-30	31-60	61-90	91-120	121-150	151-180	181-270	271-365	365+
A MEDICAID	45,217	0	0	2,808	9,296	13,123	14,082	4,997	911	0	0
B BLUE CROSS	6,625	0	0	1,169	765	236	2,124	1,631	700	0	0
C COMMERCIAL	18,254	A 130	1,287	1,850	1,951	1,572	30	1,061	10,373	0	0
D DIRECT CONTRACTING	3,694	(1) * (2)= 0	862	418	70	(293)	1,461	955	220	0	0
F CHARITY CARE	0	0	0	0	0	0	0	0	0	0	0
H HMO (USHC/KHPE)	42,991	0	0	15,180	13,763	5,581	3,594	3,700	1,173	0	0
I PATIENT CONTRACTS	28,765	0	0	0	10,630	1,081	0	585	16,468	0	0
M MEDICARE	53,595	0	0	5,302	13,881	5,533	961	10,611	17,307	0	0
N MANAGED MA	10,612	0	0	1,214	75	872	1,060	7,391	0	0	0
P PPO-PREFERRED PROVIDER	80,870	0	0	2,752	6,074	10,489	14,202	42,605	4,748	0	0
U SELF PAY	822,886	45,980	124,933	117,158	77,555	201,680	87,187	89,400	78,992	0	0
W WORKERS COMP/NO FAULT	0	0	0	0	0	0	0	0	0	0	0
REQUIRED RESERVE	1,113,509	46,110	127,082	147,851	134,061	239,875	124,701	162,937	130,893	0	0

A- Commercial reserve is calculated based on gross A/R less estimated contractual percentage.

(1) * (2) * (80%)

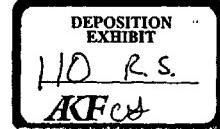
Note: The reserve calculation below is based on the aged by discharge date methodology.

PBC CLASS	TOTAL	INHOUSE & DNFB (NET)	0-30	31-60	61-90	91-120	121-150	151-180	181-270	271-365	365+
A MEDICAID	72,621	0	0	5,120	9,714	10,349	9,757	21,436	16,245	0	0
B BLUE CROSS	7,102	0	0	1,411	322	444	2,595	1,631	700	0	0
C COMMERCIAL***	20,887	A 983	2,091	2,426	1,448	2,374	1,061	10,373	0	0	0
D DIRECT CONTRACTING	3,694	(3) * (2)= 0	862	418	70	(293)	1,461	955	220	0	0
F CHARITY CARE	0	0	0	0	0	0	0	0	0	0	0
H HMO	57,530	0	0	18,306	10,044	8,281	6,276	14,487	135	0	0
I PATIENT CONTRACTS	28,611	0	0	0	0	11,712	0	262	16,838	0	0
M MEDICARE	65,293	0	0	6,406	7,308	14,194	782	5,762	30,841	0	0
N MANAGED MA	14,871	0	0	926	363	299	1,053	3,193	9,038	0	0
P PPO-PREFERRED PROVIDER	99,845	0	0	3,399	3,918	6,208	21,674	17,103	47,545	0	0
U SELF PAY	861,503	45,980	109,219	130,897	43,804	159,213	90,778	132,406	149,207	0	0
W WORKERS COMP/NO FAULT	0	0	0	0	0	0	0	0	0	0	0
REQUIRED RESERVE	1,232,158	46,110	111,064	168,974	77,969	211,854	136,751	198,296	281,140	0	0

A- Commercial reserve is calculated based on gross A/R less estimated contractual percentage.

(3) * (2) * (80%)

Reserve difference due to change in historic aging methodology:



Reserve using final billed aging	1,113,509
Reserve using discharge date	1,232,158
Difference	(118,649) 1

Although there is a difference between the reserves, because of the change in aging methodology, C&L does not propose an entry. C&L has prepared an additional analysis that uses AGH reserve percentages and the client has booked an additional reserve for bad debt.

Invision- Inpatient reserve for uncoll. accts. 1,113,509 (6)
Patcom- Inpatient reserve for uncoll. accts. 1,424,444 sum of (7)

Total calculated bad debt reserve 2,537,953 53-461

C&L 000993

BUCKS COUNTY HOSPITAL
ACCOUNTS RECEIVABLE AGING - INPATIENT
June 30, 1996

AGED FROM FINAL BILL DATE

CLASS	TOTAL	IH & DNFB (NET)	0-30	31-60	61-90	91-120	121-150	151-180	181-270	271-365	365+
(1)											
A MEDICAID	996,576	204,985	256,262	56,157	185,918	131,232	140,818	19,989	1,215	0	0
B BLUE CROSS	227,034	36,984	82,641	58,458	15,308	4,717	21,235	6,525	1,166	0	0
C COMMERCIAL	357,080	16,254	160,826	77,094	40,653	19,652	249	5,306	37,046	0	0
D DIRECT CONTRACTING	104,213	0	86,166	8,367	704	(1,956)	7,307	3,184	440	0	0
F CHARITY CARE	0	0	0	0	0	0	0	0	0	0	0
H HMO (USHC/KHPE)	1,436,006	155,122	592,549	303,598	275,254	55,809	35,942	14,799	2,933	0	0
I PATIENT CONTRACTS	40,941	0	0	0	17,717	1,802	0	836	20,585	0	0
M MEDICARE	1,832,813	318,125	796,873	265,093	277,625	69,165	9,609	53,055	43,268	0	0
N MANAGED MA	116,541	4,035	37,844	24,281	1,496	8,723	10,597	29,565	0	0	0
P PPO-PREFERRED PROVIDER	599,282	61,362	141,520	55,039	60,738	69,928	56,809	142,015	11,871	0	0
U SELF PAY	1,535,441	91,960	249,867	234,315	155,109	403,360	174,374	127,715	98,741	0	0
W WORKERS COMP/NO FAULT	101,694	0	15,383	43,924	15,976	11,878	18	(80)	14,595	0	0
TOTAL	7,347,620	888,827	2,419,931	1,126,326	1,046,498	774,310	456,959	402,910	231,859	0	0

(1) Amounts were traced into the Invision system generated report.

AGED BY DISCHARGE DATE

CLASS	TOTAL	IH & DNFB (NET)	0-30	31-60	61-90	91-120	121-150	151-180	181-270	271-365	365+
(3)											
A MEDICAID	996,576	204,985	186,440	102,407	194,281	103,491	97,568	85,744	21,660	0	0
B BLUE CROSS	227,034	36,984	70,569	70,530	6,432	8,876	25,952	6,525	1,166	0	0
C COMMERCIAL	357,080	16,254	122,905	87,144	50,539	18,099	19,787	5,306	37,046	0	0
D DIRECT CONTRACTING	104,213	0	86,166	8,367	704	(1,956)	7,307	3,184	440	0	0
F CHARITY CARE	0	0	0	0	0	0	0	0	0	0	0
H HMO (USHC/KHPE)	1,436,006	155,122	510,017	366,115	200,889	82,812	62,763	57,949	338	0	0
I PATIENT CONTRACTS	40,941	0	0	0	0	19,519	0	374	21,047	0	0
M MEDICARE	1,832,813	318,125	757,061	320,298	146,169	177,429	7,819	28,809	77,102	0	0
N MANAGED MA	116,541	4,035	37,844	18,527	7,250	2,988	10,530	12,773	22,594	0	0
P PPO-PREFERRED PROVIDER	599,282	61,362	126,824	67,973	39,175	41,383	86,694	57,008	118,862	0	0
U SELF PAY	1,535,441	91,960	218,438	261,793	87,608	318,425	181,557	189,151	186,509	0	0
W WORKERS COMP/NO FAULT	101,694	0	15,383	40,142	19,748	11,888	18	(80)	14,595	0	0
TOTAL	7,347,620	888,827	2,419,931	1,343,295	752,796	782,955	499,996	446,745	501,358	0	0

(3)- C&L obtained amounts from the Invision system generated agings.

466000-7C